

**CORNING COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2011**



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**Corning Community School District  
Board Of Education and School District Officials  
As of Year Ended June 30, 2011**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Lori Harvey	President	2011
Gary Goldsmith	Vice President	2013
Shelly Barton	Board Member	2011
Kenya Haffner	Board Member	2011
Scott Shuey	Board Member	2013
<b>School District Officials</b>		
William Stone	Superintendent	2011
Jodi Lyddon	District Secretary/Treasurer	2011
Rick Engel	Attorney	Indefinite



705 Main Street  
Pella, IA 50219  
641-628-3737

[www.vanmaanenpcpa.com](http://www.vanmaanenpcpa.com)

**Van Maanen, Sietstra & Meyer, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Education  
Corning Community School District  
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 11, 2011, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra, & Meyer, PC  
Certified Public Accountants

October 11, 2011

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

- General Fund revenues increased from \$5,046,296 in fiscal 2010 to \$5,178,164 in fiscal 2011, while General Fund expenditures decreased from \$5,091,291 in 2010 to \$5,031,450 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$1,566,265 in fiscal 2010 to \$1,712,979 in fiscal 2011, an 8.6 percent increase from the prior year.
- The increase in General Fund revenues was attributable to increase in state sources due to sharing incentives and ARRA revenue, property tax, and tuition. The decrease in expenditures was due primarily to a decrease in instruction expenditures.
- Overall, the District increased its net assets in the governmental activities by \$241,000, with no appreciable change to the net assets in the business-type activities.

### **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Corning Community School District Annual Financial Report**

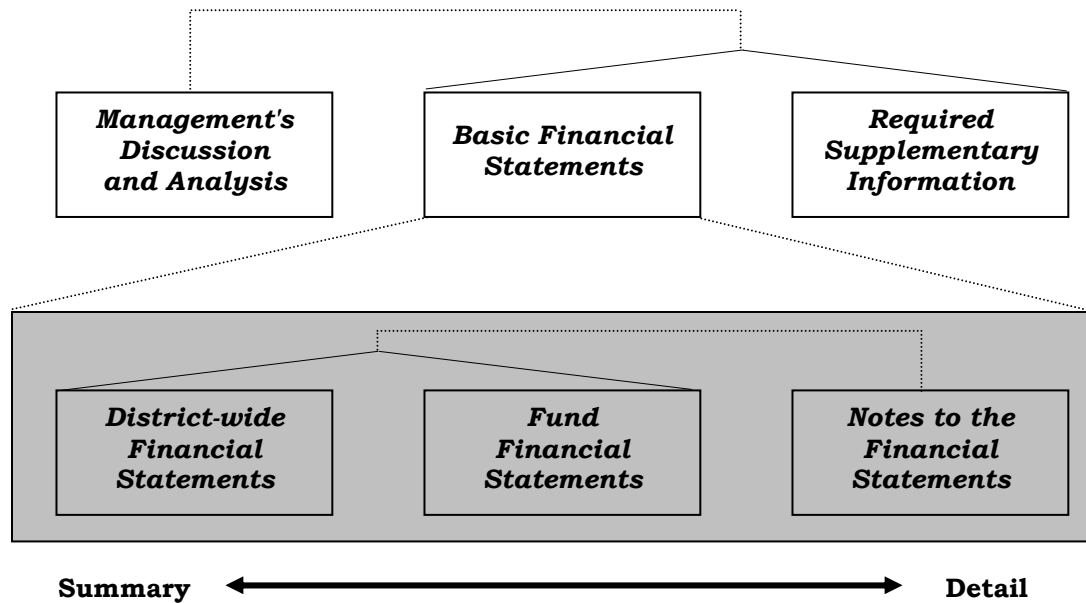




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: · food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	· Statement of net assets · Statement of activities	· Balance sheet · Statement of revenues, expenditures, and changes in fund balances	· Statement of net assets · Statement of revenues, expenses and changes in net assets · Statement of cash flows	· Statement of fiduciary net assets · Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

**Corning Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2011**

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- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Management Fund, Capital Projects Fund, Debt Service Fund, and a non-major Special Revenue Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
  - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30, 2010-2011
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 8,727	11,000	50	38	8,777	11,038	-20.5%
Capital assets	8,621	3,668	45	50	8,666	3,718	133.1%
Total assets	17,348	14,668	95	88	17,443	14,756	18.2%
Long-term liabilities	7,879	6,367	21	14	7,900	6,381	23.8%
Other liabilities	4,063	3,136	-	-	4,063	3,136	29.6%
Total liabilities	11,942	9,503	21	14	11,963	9,517	25.7%
Net assets:							
Invested in capital assets, net of related debt	3,071	2,933	45	50	3,116	2,983	4.5%
Restricted	1,287	1,344	-	-	1,287	1,344	-4.2%
Unrestricted	1,048	888	29	24	1,077	912	18.1%
Total net assets	\$ 5,406	5,165	74	74	5,480	5,239	4.6%

**Corning Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2011**

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

<b>Figure A-4 Changes in Net Assets (Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 579	602	79	95	658	697	-5.6%
Operating grants, contributions and restricted interest	996	1,289	147	145	1,143	1,434	-20.3%
General revenues:							
Property tax	2,372	2,122	-	-	2,372	2,122	11.8%
Statewide sales, service and use tax	283	293	-	-	283	293	-3.4%
Unrestricted state grants	1,877	1,564	-	-	1,877	1,564	20.0%
Unrestricted investment earnings	13	12	-	-	13	12	8.3%
Other	22	20	-	-	22	20	10.0%
Total revenues	6,142	5,902	226	240	6,368	6,142	3.7%
Program expenses:							
Governmental activities:							
Instruction	3,644	4,060	-	-	3,644	4,060	-10.2%
Support services	1,762	1,695	-	-	1,762	1,695	4.0%
Non-instructional programs	3	3	226	241	229	244	-6.1%
Other expenses	492	755	-	-	492	755	-34.8%
Total expenses	5,901	6,513	226	241	6,127	6,754	-9.3%
Extraordinary item	-	181	-	-	-	181	-100.0%
Change in net assets	\$ 241	(430)	-	(1)	241	(431)	-155.9%

Property tax and unrestricted state grants account for 67 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88 percent of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$6,142,000 and expenses were \$5,901,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)</b>						
	Total Cost of Services		Change 2010-2011	Net Cost of Services		Change 2010-2011
	2011	2010		2011	2010	
Instruction	\$ 3,644	4,060	-10.2%	2,280	2,407	-5.3%
Support services	1,762	1,695	4.0%	1,757	1,662	5.7%
Non-instructional programs	3	3	0.0%	3	3	0.0%
Other expenses	492	755	-34.8%	286	550	-48.0%
Totals	\$ 5,901	6,513	-9.4%	4,326	4,622	-6.4%

- The cost financed by users of the District's programs was \$579,199.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$996,260.
- The net cost of governmental activities was financed with \$2,371,668 in property tax, 282,857 in statewide sales, service and use tax, \$1,877,317 in state foundation aid, \$13,231 in interest income, and \$8,574 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$226,028 and expenses were \$226,080. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **Financial Analysis of the District's Funds**

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$4,551,282, below last year's ending fund balances of \$7,766,258. The primary reason for the decrease in combined fund balances in fiscal 2011 was due to expenditures for the high school renovation project.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,566,265 to \$1,712,979. The District's increasing General Fund financial position is the product of many factors. The district's decrease in general fund expenditures was due to a reduction in instruction expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$169,391 in fiscal 2010 to \$305,868 in fiscal 2011.
- The Capital Projects Fund balance decreased from \$5,571,017, as restated, in fiscal 2010 to \$2,348,997 in fiscal 2011.
- The Management Fund balance decreased from \$558,832 in fiscal year 2010 to \$356,385 in fiscal 2011.

**Corning Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2011**

**Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$73,936 in fiscal 2010 to \$73,884 in fiscal 2011, representing a decrease of less than 1%.

**Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

**Legal Budgetary Highlights**

The District's total actual receipts were \$215,187 less than the total budgeted receipts, a variance of 3.4%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2011, the District had invested \$8,665,094, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$222,790.

The original cost of the District's capital assets were \$12,327,589. Governmental funds account for \$12,122,934 with the remainder of \$204,655 in the Proprietary, School Nutrition Fund.

**Figure A-6  
Capital Assets, net of Depreciation  
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 205	205	-	-	205	205	0.0%
Construction in progress	\$ 5,117	-	-	-	5,117	-	-
Buildings	2,089	2,163	-	-	2,089	2,163	-3.4%
Improvements other than buildings	417	433	-	-	417	433	-3.7%
Furniture and equipment	793	867	45	50	838	917	-8.6%
Totals	\$ 8,621	3,668	45	50	8,666	3,718	133.1%

## Long-Term Debt

At June 30, 2011, the District had \$5,550,000, in general obligation bonds, \$1,710,000 in revenue bonds and \$317,000 for an early-retirement plan. This represents an increase of approximately 23.7% percent from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District June 30,		Total Change June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 5,550	5,730	-3.1%
Revenue bonds	1,710	-	-
Early retirement	317	455	-30.3%
Compensated absences	57	65	-12.3%
Net OPEB liability	266	142	-87.3%
Totals	\$ 7,900	6,392	23.6%

## Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

## Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

## **Basic Financial Statements**



**Corning Community School District**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,096,517	49,332	6,145,849
Receivables:			
Property tax:			
Delinquent	12,178	-	12,178
Succeeding year	2,401,707	-	2,401,707
Income surtax	91,324	-	91,324
Accounts	1,037	-	1,037
Due from other governments	100,606	-	100,606
Inventories	-	1,449	1,449
Bond issuance costs, net of accumulated amortization	24,011	-	24,011
Capital assets, net of accumulated depreciation	8,620,545	44,549	8,665,094
<b>Total assets</b>	<b>17,347,925</b>	<b>95,330</b>	<b>17,443,255</b>
<b>Liabilities</b>			
Excess of warrants over bank balance	361,073	-	361,073
Accounts payable	702,470	197	702,667
Salaries and benefits payable	444,999	-	444,999
Accrued interest payable	39,356	-	39,356
Unearned revenue:			
Succeeding year property tax	2,401,707	-	2,401,707
Income surtax	91,324	-	91,324
Other	22,779	-	22,779
Long-term liabilities:			
Portion due within one year:			
Compensated absences	52,650	4,050	56,700
General obligation bonds	190,000	-	190,000
Early retirement	127,735	-	127,735
Portion due after one year:			
Net OPEB liability	249,393	17,199	266,592
General obligation bonds	5,360,000	-	5,360,000
Revenue bonds	1,710,000	-	1,710,000
Early retirement	188,867	-	188,867
<b>Total liabilities</b>	<b>11,942,353</b>	<b>21,446</b>	<b>11,963,799</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,070,545	44,549	3,115,094
Restricted for:			
Categorical funding	197,855	-	197,855
Management levy purposes	356,385	-	356,385
Physical plant and equipment levy	305,868	-	305,868
Capital projects	333,129	-	333,129
Student activities	74,211	-	74,211
Debt service	19,354	-	19,354
Unrestricted	1,048,225	29,335	1,077,560
<b>Total net assets</b>	<b>\$ 5,405,572</b>	<b>73,884</b>	<b>5,479,456</b>

See notes to financial statements.

**Corning Community School District**  
**Statement of Activities**  
**Year ended June 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,307,348	338,781	524,157	(1,444,410)	-	(1,444,410)
Special	802,583	40,171	248,146	(514,266)	-	(514,266)
Other	534,544	200,247	13,209	(321,088)	-	(321,088)
	<u>3,644,475</u>	<u>579,199</u>	<u>785,512</u>	<u>(2,279,764)</u>	<u>-</u>	<u>(2,279,764)</u>
Support Service:						
Student	5,686	-	-	(5,686)	-	(5,686)
Instructional staff	239,135	-	-	(239,135)	-	(239,135)
Administration	662,170	-	-	(662,170)	-	(662,170)
Operating and maintenance of plant	523,118	-	5,194	(517,924)	-	(517,924)
Transportation	331,957	-	-	(331,957)	-	(331,957)
	<u>1,762,066</u>	<u>-</u>	<u>5,194</u>	<u>(1,756,872)</u>	<u>-</u>	<u>(1,756,872)</u>
Non-instructional programs	<u>3,283</u>	<u>-</u>	<u>-</u>	<u>(3,283)</u>	<u>-</u>	<u>(3,283)</u>
Other expenditures:						
Facilities acquisition	2,693	-	-	(2,693)	-	(2,693)
Long-term debt interest	283,394	-	-	(283,394)	-	(283,394)
AEA flowthrough	205,554	-	205,554	-	-	-
	<u>491,641</u>	<u>-</u>	<u>205,554</u>	<u>(286,087)</u>	<u>-</u>	<u>(286,087)</u>
Total governmental activities	<u>5,901,465</u>	<u>579,199</u>	<u>996,260</u>	<u>(4,326,006)</u>	<u>-</u>	<u>(4,326,006)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	226,080	79,409	146,574	-	(97)	(97)
	<u>226,080</u>	<u>79,409</u>	<u>146,574</u>	<u>-</u>	<u>(97)</u>	<u>(97)</u>
Total primary government	<u>\$ 6,127,545</u>	<u>658,608</u>	<u>1,142,834</u>	<u>(4,326,006)</u>	<u>(97)</u>	<u>(4,326,103)</u>

**Corning Community School District**  
**Statement of Activities**  
**Year ended June 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
	Expenses	Charges for Service				
Totals continued from previous pages	\$ 6,127,545	658,608	1,142,834	(4,326,006)	(97)	(4,326,103)
General Revenues:						
Property tax levied for:						
General purposes				1,906,172	-	1,906,172
Capital outlay				465,496	-	465,496
Statewide sales, services and use tax				282,857	-	282,857
Unrestricted state grants				1,877,317	-	1,877,317
Unrestricted investment earnings				13,231	45	13,276
Other				8,574	-	8,574
Contributions not restricted to specific programs				12,907	-	12,907
Total general revenues				4,566,554	45	4,566,599
Change in net assets				240,548	(52)	240,496
Net assets beginning of year				5,165,024	73,936	5,238,960
Net assets end of year				\$ 5,405,572	73,884	5,479,456

See notes to financial statements.

**Corning Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Management	Debt Service	Capital Projects	Non-major	Total
<b>Assets and Other Debits</b>						
Cash and pooled investments	\$ 2,470,691	489,567	57,267	3,001,603	77,389	6,096,517
Receivables:						
Property tax:						
Current year delinquent	9,907	-	1,443	828	-	12,178
Succeeding year	1,837,848	100,000	286,638	177,221	-	2,401,707
Income surtax	91,324	-	-	-	-	91,324
Accounts	-	-	-	-	1,037	1,037
Due from other governments	100,501	-	-	-	105	100,606
<b>Total assets and other debits</b>	<b>\$ 4,510,271</b>	<b>589,567</b>	<b>345,348</b>	<b>3,179,652</b>	<b>78,531</b>	<b>8,703,369</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Excess of warrants over bank balance	\$ 345,354	1,908	-	13,811	-	361,073
Accounts payable	54,988	3,539	-	639,623	4,320	702,470
Salaries and benefits payable	444,999	-	-	-	-	444,999
Early retirement payable	-	127,735	-	-	-	127,735
Deferred revenue:						
Succeeding year property tax	1,837,848	100,000	286,638	177,221	-	2,401,707
Income surtax	91,324	-	-	-	-	91,324
Other	22,779	-	-	-	-	22,779
<b>Total liabilities</b>	<b>2,797,292</b>	<b>233,182</b>	<b>286,638</b>	<b>830,655</b>	<b>4,320</b>	<b>4,152,087</b>
Fund balances:						
Restricted for:						
Categorical funding	197,855	-	-	-	-	197,855
Debt service	-	-	58,710	150,444	-	209,154
Management levy purposes	-	356,385	-	-	-	356,385
Student activities	-	-	-	-	74,211	74,211
School infrastructure	-	-	-	1,892,685	-	1,892,685
Physical plant and equipment	-	-	-	305,868	-	305,868
Committed for special purposes by the Board	300,000	-	-	-	-	300,000
Unassigned	1,215,124	-	-	-	-	1,215,124
<b>Total fund balances</b>	<b>1,712,979</b>	<b>356,385</b>	<b>58,710</b>	<b>2,348,997</b>	<b>74,211</b>	<b>4,551,282</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,510,271</b>	<b>589,567</b>	<b>345,348</b>	<b>3,179,652</b>	<b>78,531</b>	<b>8,703,369</b>

See notes to financial statements.

Exhibit D

**Corning Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2011**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 4,551,282</b>
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***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,620,545
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(39,356)
--	----------

Long-term liabilities, including bonds payable, bond issuance costs, early retirement, compensated absences and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,726,899)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 5,405,572</u></b>
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See notes to financial statements.

**Corning Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2011**

	General	Management	Debt Service	Capital Projects	Non-major	Total
Revenues:						
Local sources:						
Local tax	\$ 1,906,172	-	295,859	452,494	-	2,654,525
Tuition	275,993	-	-	-	-	275,993
Other	126,575	8,042	30	10,195	191,796	336,638
State sources	2,528,180	-	152	87	-	2,528,419
Federal sources	341,244	-	-	5,194	-	346,438
Total revenues	5,178,164	8,042	296,041	467,970	191,796	6,142,013
Expenditures:						
Current:						
Instruction:						
Regular	2,157,898	135,512	-	-	-	2,293,410
Special	739,414	-	-	-	-	739,414
Other	329,145	-	-	-	180,497	509,642
	3,226,457	135,512	-	-	180,497	3,542,466
Support services:						
Student	6,649	-	-	-	-	6,649
Instructional staff	248,886	-	-	-	-	248,886
Administration	607,882	23,948	-	4,188	-	636,018
Operation and maintenance of plant	461,077	26,509	-	-	-	487,586
Transportation	274,945	21,237	-	24,775	-	320,957
	1,599,439	71,694	-	28,963	-	1,700,096
Non-instructional programs	-	3,283	-	-	-	3,283
Other expenditures:						
Facilities acquisition	-	-	-	5,126,947	-	5,126,947
Long-term debt:						
Principal	-	-	180,000	-	-	180,000
Interest and fiscal charges	-	-	283,708	-	-	283,708
AEA flowthrough	205,554	-	-	-	-	205,554
	205,554	-	463,708	5,126,947	-	5,796,209
Total expenditures	5,031,450	210,489	463,708	5,155,910	180,497	11,042,054
Excess (deficiency) of revenues over (under) expenditures	146,714	(202,447)	(167,667)	(4,687,940)	11,299	(4,900,041)
Other financing sources (uses):						
Revenue bonds issued	-	-	-	1,710,000	-	1,710,000
Bond discount	-	-	-	(24,935)	-	(24,935)
Operating transfers in	-	-	219,145	-	-	219,145
Operating transfers out	-	-	-	(219,145)	-	(219,145)
Total other financing sources	-	-	219,145	1,465,920	-	1,685,065
Net change in fund balances	146,714	(202,447)	51,478	(3,222,020)	11,299	(3,214,976)
Fund balances beginning of year, as restated	1,566,265	558,832	7,232	5,571,017	62,912	7,766,258
Fund balances end of year	\$ 1,712,979	356,385	58,710	2,348,997	74,211	4,551,282

See notes to financial statements.

**Corning Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statements of Activities**  
**Year ended June 30, 2011**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ (3,214,976)**

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 5,169,522	
Gain (loss) on disposal of capital assets	-	
Depreciation expense	(217,010)	4,952,512

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Revenue bond issued	(1,710,000)	
Bond principal repaid	180,000	
Bond issuance costs	24,935	
Amortization of bond issuance costs	(924)	(1,505,989)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,238

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	127,735	
Compensated absences	4,050	
Other postemployment benefits	(124,022)	7,763

**Change in net assets of governmental activities (Exhibit B)** **\$ 240,548**

See notes to financial statements.

Exhibit G

**Corning Community School District  
Statement of Net Assets  
Proprietary Fund  
June 30, 2011**

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 49,332
Inventories	1,449
Capital assets, net of accumulated depreciation	<u>44,549</u>
<b>Total assets</b>	<u>95,330</u>
<b>Liabilities</b>	
Accounts payable	197
Compensated absences	4,050
Net OPEB liability	<u>17,199</u>
<b>Total liabilities</b>	<u>21,446</u>
<b>Net Assets</b>	
Invested in capital assets	44,549
Unrestricted	<u>29,335</u>
<b>Total net assets</b>	<u><u>\$ 73,884</u></u>

See notes to financial statements.



Exhibit H

**Corning Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year ended June 30, 2011**

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 79,409
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	79,590
Benefits	37,694
Purchased services	2,672
Supplies	100,018
Depreciation	5,780
Other	326
Total operating expenses	226,080
Operating loss	(146,671)
Non-operating revenues:	
State sources	2,487
Federal sources	144,087
Interest income	45
Total non-operating revenues	146,619
Change in net assets	(52)
Net assets beginning of year	73,936
Net assets end of year	\$ 73,884

See notes to financial statements.

## Exhibit I

**Corning Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2011**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 79,409
Cash payments to employees for services	(109,770)
Cash payments to suppliers for goods or services	(88,460)
Net cash used by operating activities	(118,821)
Cash flows from non-capital financing activities:	
State grants received	2,487
Federal grants received	130,400
Net cash provided by non-capital financing activities	132,887
Cash flows from investing activities:	
Interest on investments	45
Net increase in cash and cash equivalents	14,111
Cash and cash equivalents at beginning of year	35,221
Cash and cash equivalents at end of year	\$ 49,332
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (146,671)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,687
Depreciation	5,780
Decrease in inventories	672
Increase in accounts payable	197
(Decrease) in compensated absences	(4,050)
Increase in net OPEB liability	11,564
Net cash used by operating activities	\$ (118,821)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 49,332
Cash and cash equivalents at year end	\$ 49,332

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$13,687.

See notes to financial statements.

Exhibit J

**Corning Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011**

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	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 13,258
<b>Total assets</b>	<u>13,258</u>
<b>Liabilities</b>	
Accounts payable	13,258
<b>Total liabilities</b>	<u>13,258</u>
<b>Net assets</b>	
Unassigned	<u>\$ -</u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in four categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.



Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments as follows:

Okey Vernon National Bank Certificates of Deposit	\$	10,000
State Bank of Brooks Certificate of Deposit		10,000
Bankers Trust		
ISJIT Diversified Fund		150,522
Iowa Schools Joint Investment Trust		
Diversified portfolio (amortized cost)		3,349,298
		<u>\$ 3,519,820</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The negotiable certificates of deposit are stated at fair value.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 219,145</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 204,689	-	-	204,689
Construction in progress	-	5,117,254	-	5,117,254
Total capital assets not being depreciated	204,689	5,117,254	-	5,321,943
Capital assets being depreciated:				
Buildings	4,026,450	-	-	4,026,450
Improvements other than buildings	968,014	14,766	-	982,780
Furniture and equipment	1,754,259	37,502	-	1,791,761
Total capital assets being depreciated	6,748,723	52,268	-	6,800,991
Less accumulated depreciation for:				
Buildings	1,863,662	73,838	-	1,937,500
Improvements other than buildings	535,143	31,127	-	566,270
Furniture and equipment	886,574	112,045	-	998,619
Total accumulated depreciation	3,285,379	217,010	-	3,502,389
Total capital assets being depreciated, net	3,463,344	(164,742)	-	3,298,602
Governmental activities capital assets, net	\$ 3,668,033	4,952,512	-	8,620,545
<b>Business type activities:</b>				
Furniture and equipment	\$ 204,655	-	-	204,655
Less accumulated depreciation	154,326	5,780	-	160,106
Business type activities capital assets, net	\$ 50,329	(5,780)	-	44,549

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 109,698
Special	9,965
Other	13,436
Support services:	
Student	446
Instructional staff	15,457
Administration	10,188
Operation and maintenance	32,201
Transportation	25,619
Total depreciation expense - governmental activities	\$ 217,010
<b>Business type activities:</b>	
Food service operations	\$ 5,780

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,730,000	-	180,000	5,550,000	190,000
Revenue bonds	-	1,710,000	-	1,710,000	-
Early retirement	455,082	-	138,480	316,602	127,735
Compensated absences	56,700	52,650	56,700	52,650	52,650
Net OPEB liability	125,371	124,022	-	249,393	-
Total	\$ 6,367,153	1,886,672	375,180	7,878,645	370,385
Business type activities:					
Compensated absences	\$ 8,100	4,050	8,100	4,050	4,050
Net OPEB liability	5,635	11,564	-	17,199	-
	\$ 13,735	15,614	8,100	21,249	4,050

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.125%	\$ 190,000	236,137	426,137
2013	4.125%	200,000	228,300	428,300
2014	4.125%	210,000	220,050	430,050
2015	4.125%	215,000	211,388	426,388
2016	4.125%	225,000	202,519	427,519
2017	4.125%	240,000	193,237	433,237
2018	4.125%	250,000	183,338	433,338
2019	4.125%	260,000	173,025	433,025
2020	4.125%	270,000	162,300	432,300
2021	4.125%	285,000	151,162	436,162
2022	4.125%	295,000	139,406	434,406
2023	4.125%	310,000	127,238	437,238
2024	4.250%	325,000	114,450	439,450
2025	4.250%	340,000	100,637	440,637
2026	4.250%	355,000	86,188	441,188
2027	4.500%	370,000	71,100	441,100
2028	4.500%	385,000	54,450	439,450
2029	4.500%	405,000	37,125	442,125
2030	4.500%	420,000	18,900	438,900
Total		\$ 5,550,000	2,710,950	8,260,950

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	1.250%	\$ -	34,796	34,796
2013	1.250%	-	52,194	52,194
2014	1.250%	50,000	52,194	102,194
2015	1.500%	75,000	51,569	126,569
2016	1.750%	100,000	50,444	150,444
2017	2.000%	100,000	48,694	148,694
2018	2.200%	100,000	46,694	146,694
2019	2.400%	100,000	44,494	144,494
2020	2.600%	100,000	42,094	142,094
2021	2.800%	100,000	39,494	139,494
2022	3.000%	100,000	36,694	136,694
2023	3.200%	100,000	33,694	133,694
2024	3.400%	100,000	30,494	130,494
2025	3.600%	105,000	27,094	132,094
2026	3.800%	110,000	23,314	133,314
2027	4.000%	110,000	19,133	129,133
2028	4.050%	115,000	14,733	129,733
2029	4.100%	120,000	10,075	130,075
2030	4.125%	125,000	5,156	130,156
Total		\$ 1,710,000	663,054	2,373,054

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,710,000 of bonds issued in November 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,373,054. For the current year, \$34,796 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$282,857.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$150,444 of the proceeds from the issuance of the revenue bonds shall be deposited to a revenue account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be distributed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking accounts may be transferred to the project account to be used for any lawful purpose.

The District did comply with all revenue bond provisions during the year ended June 30, 2011. The required reserve account was established by the District.

## Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2011, totaled \$138,480.

## **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009, were \$214,347, \$208,447, and \$199,471, respectively, equal to the required contributions for each year.

## **(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 182,405
Interest on net OPEB obligation	3,275
Adjustment to annual required contribution	(10,303)
Annual OPEB cost	<u>175,377</u>
Contributions made	<u>(39,791)</u>
Increase in net OPEB obligation	135,586
Net OPEB obligation beginning of year	<u>131,006</u>
Net OPEB obligation end of year	<u><u>\$ 266,592</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$39,791 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 167,860	22.00%	131,006
June 30, 2011	175,377	22.69%	266,592

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$6,984,148, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,984,148. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,100,000, and the ratio of the UAAL to covered payroll was 225.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(8) Risk Management**

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$205,554 for the year ended

June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The district has entered into a contract totaling \$6,316,600 for a renovation project. As of June 30, 2011, costs of \$5,117,254 had been incurred against the contract. The balance of \$1,199,346 remaining at June 30, 2011, will be paid as work on the project progresses.

**(11) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue, Physical Plant and Equipment	
	Capital Projects	Levy
Balances June 30, 2010, as previously reported	\$ 5,401,626	169,391
Change in fund type classification per implementation of GASB Statement No. 54	169,391	(169,391)
Balances July 1, 2010, as restated	<u>\$ 5,571,017</u>	<u>-</u>

### **Required Supplementary Information**



**Corning Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2011**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Variance Favorable (Unfavorable)
Revenues:					
Local sources	\$ 3,267,156	79,454	3,346,610	3,343,791	2,819
State sources	2,528,419	2,487	2,530,906	2,840,437	(309,531)
Federal sources	346,438	144,087	490,525	399,000	91,525
Total revenues	6,142,013	226,028	6,368,041	6,583,228	(215,187)
Expenditures:					
Instruction	3,542,466	-	3,542,466	4,656,896	1,114,430
Support services	1,700,096	-	1,700,096	2,591,821	891,725
Non-instructional programs	3,283	226,080	229,363	353,215	123,852
Other expenditures	5,796,209	-	5,796,209	8,030,147	2,233,938
Total expenditures	11,042,054	226,080	11,268,134	15,632,079	4,363,945
Excess (deficiency) of revenues over (under) expenditures	(4,900,041)	(52)	(4,900,093)	(9,048,851)	4,148,758
Other financing sources, net	1,685,065	-	1,685,065	-	1,685,065
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(3,214,976)	(52)	(3,215,028)	(9,048,851)	5,833,823
Balances beginning of year	7,766,258	73,936	7,840,194	9,048,851	(1,208,657)
Balances end of year	\$ 4,551,282	73,884	4,625,166	-	4,625,166

See accompanying independent auditor's report.

**Corning Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2011**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

**Corning Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2011**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	6,984,148	6,984,148	0.0%	3,100,000	225.3%
2011	July 1, 2009	-	6,984,148	6,984,148	0.0%	3,100,000	225.3%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

### **Other Supplementary Information**

**Corning Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2011**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,868,410	305,040	828,153	3,001,603
Receivables:				
Property tax:				
Current year delinquent	-	828	-	828
Succeeding year	-	177,221	-	177,221
<b>Total assets</b>	<b>\$ 1,868,410</b>	<b>483,089</b>	<b>828,153</b>	<b>3,179,652</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Excess of warrants over bank balance	\$ -	-	13,811	13,811
Accounts payable	-	-	639,623	639,623
Deferred revenue:				
Succeeding year property tax	-	177,221	-	177,221
Total liabilities	-	177,221	653,434	830,655
Fund balances:				
Restricted for:				
Debt service	150,444	-	-	150,444
School infrastructure	1,717,966	-	174,719	1,892,685
Physical plant and equipment	-	305,868	-	305,868
Total fund balances	1,868,410	305,868	174,719	2,348,997
<b>Total liabilities and fund balances</b>	<b>\$ 1,868,410</b>	<b>483,089</b>	<b>828,153</b>	<b>3,179,652</b>

See accompanying independent auditor's report.

## Schedule 2

**Corning Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2011**

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 282,857	169,637	-	452,494
Other	1,159	222	8,814	10,195
State sources	-	87	-	87
Federal sources	-	5,194	-	5,194
Total revenues	284,016	175,140	8,814	467,970
Expenditures:				
Current:				
Support Services:				
Administration	-	4,188	-	4,188
Transportation	-	24,775	-	24,775
Other expenditures				
Facilities acquisition	5,187	9,700	5,112,060	5,126,947
Total expenditures	5,187	38,663	5,112,060	5,155,910
Excess (deficiency) of revenues over (under) expenditures	278,829	136,477	(5,103,246)	415,306
Other financing sources (uses):				
Revenue bonds issued	1,710,000	-	-	1,710,000
Bond discount	(24,935)	-	-	(24,935)
Operating transfers out	(219,145)	-	-	(219,145)
Total other financing sources (uses)	1,465,920	-	-	1,465,920
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,744,749	136,477	(5,103,246)	(3,222,020)
Fund balances beginning of year, as restated	123,661	169,391	5,277,965	5,571,017
Fund balances end of year	\$ 1,868,410	305,868	174,719	2,348,997

See accompanying independent auditor's report.

## Schedule 3

**Corning Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2011**

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 1,047	1,359	3,347	1,472	531
High School Drama	5,676	624	336	-	5,964
Musical/Madrigal	3,181	2,656	4,123	459	2,173
Cross Country	64	974	985	115	168
Tennis	307	277	265	321	640
Golf	228	315	576	321	288
Boys Basketball	277	3,669	3,716	92	322
Football	1,535	5,985	4,872	230	2,878
Baseball	378	691	778	206	497
Boys Track	311	-	201	344	454
Wrestling	415	3,464	2,776	92	1,195
Girls Basketball	1,677	2,792	2,800	92	1,761
Volleyball	1,391	2,133	1,679	344	2,189
Cheerleaders	528	1,612	1,170	344	1,314
Softball	12	1,189	1,389	413	225
Girls Track	356	1,402	1,465	436	729
Athletics-General	6,151	54,295	52,865	-	7,581
FBLA	(1,470)	28,676	27,823	617	-
K-6 Book Fair	7,464	3,459	6,545	-	4,378
FFA	1,602	11,527	11,402	-	1,727
FCCLA	444	3,193	3,672	100	65
K-6 Special Needs	224	173	-	-	397
Foreign Language Club	17	832	815	-	34
Concessions	318	20,214	12,140	(8,160)	232
Senior Class	2,879	128	68	1,334	4,273
Junior Class	103	6,980	6,811	(103)	169
Sophomore Class	62	145	38	(128)	41
Freshman Class	-	60	19	(41)	-
Junior High Student Council	496	850	1,184	200	362
Student Senate	1,560	1,691	2,164	-	1,087
Touch	379	-	-	-	379
Y-Teens	3,391	3,678	4,569	(200)	2,300
Yearbook	3,888	7,817	7,109	1,200	5,796
Elementary Yearbook	272	1,364	1,279	-	357
Preschool Fundraiser	3,468	-	373	-	3,095
School Pictures	482	412	-	-	894
High School Pop Fund	672	1,789	1,200	(100)	1,161
K-6 Technology	-	1,645	-	-	1,645
K-6 Student Council	335	-	-	-	335
Morris DC Trip	337	-	-	-	337

## Schedule 3

**Corning Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2011**

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Friends	4	-	-	-	4
Red Raider Jean Days	77	1,100	1,174	-	3
FCA	179	200	21	-	358
K-6 Teacher's Lounge	170	107	67	-	210
High School Horticulture	5,926	-	10	-	5,916
K-6 Box Top	763	1,839	808	-	1,794
3rd Grade Landscape	1,808	200	259	-	1,749
John Harris Tourney	3,528	10,280	7,604	-	6,204
Total	\$ 62,912	191,796	180,497	-	74,211

See accompanying independent auditor's report.



## Schedule 4

**Corning Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**Year ended June 30, 2011**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 17,290	29,102	33,134	13,258
<b>Total assets</b>	<b>\$ 17,290</b>	<b>29,102</b>	<b>33,134</b>	<b>13,258</b>
<b>Liabilities</b>				
Accounts payable	\$ 17,290	29,102	33,134	13,258
<b>Total liabilities</b>	<b>\$ 17,290</b>	<b>29,102</b>	<b>33,134</b>	<b>13,258</b>

See accompanying independent auditor's report.

## Schedule 5

**Corning Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis				
	2011	2010	2009	2008	2007
Revenues:					
Local sources:					
Local tax	\$ 2,654,525	2,415,233	2,622,502	2,406,437	2,402,720
Tuition	275,993	240,356	256,371	285,683	296,029
Other	336,638	392,044	256,827	733,069	459,644
State sources	2,528,419	2,303,647	2,739,632	2,582,283	2,440,835
Federal sources	346,438	551,941	256,732	215,652	253,374
Total	<u>\$ 6,142,013</u>	<u>5,903,221</u>	<u>6,132,064</u>	<u>6,223,124</u>	<u>5,852,602</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 2,293,410	2,500,548	2,371,763	2,237,426	2,173,171
Special instruction	739,414	694,027	837,286	780,247	726,264
Other instruction	509,642	556,040	525,077	558,745	558,792
Support services:					
Student services	6,649	12,425	30,383	31,373	35,368
Instructional staff services	248,886	249,730	236,686	255,243	224,743
Administration services	636,018	580,258	564,829	621,934	613,744
Operation and maintenance of plant services	487,586	501,729	514,143	451,615	379,297
Transportation services	320,957	232,787	805,986	500,054	274,681
Community service operations	-	-	-	-	-
Food service operations	3,283	3,400	5,042	6,567	8,121
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	5,126,947	879,483	75,599	167,595	212,590
Long-term debt:					
Principal	180,000	215,000	205,000	195,000	185,000
Interest and other charges	283,708	11,813	21,948	31,990	41,701
AEA flowthrough	205,554	204,436	190,542	181,827	178,772
Total	<u>\$ 11,042,054</u>	<u>6,641,676</u>	<u>6,384,284</u>	<u>6,019,616</u>	<u>5,612,244</u>

See notes to financial statements.

## Schedule 5

Modified Accrual Basis				
2006	2005	2004	2003	2002
2,438,779	2,096,295	1,965,807	1,818,126	1,665,347
253,543	260,314	231,150	196,299	179,302
419,668	264,776	182,383	205,293	191,802
2,429,982	2,532,028	2,573,835	2,507,573	2,476,944
327,928	209,707	322,577	313,096	168,733
5,869,900	5,363,120	5,275,752	5,040,387	4,682,128
2,070,237	1,606,933	1,733,517	1,900,787	1,898,104
814,089	639,566	811,822	861,851	731,738
360,117	743,048	487,984	332,406	275,107
69,169	141,540	234,329	128,292	148,916
178,175	114,545	31,178	67,828	72,930
541,244	513,085	477,168	500,588	454,355
434,030	343,602	331,511	328,200	323,207
327,577	263,725	228,499	255,123	266,080
-	-	-	-	5,375
-	6,947	12,393	12,393	11,931
267	-	-	-	-
263,452	230,877	100,177	150,873	149,296
175,000	165,000	155,000	150,000	145,000
50,890	59,553	67,690	75,085	81,685
173,627	175,232	179,413	185,506	185,958
5,457,874	5,003,653	4,850,681	4,948,932	4,749,682

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of Corning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Corning Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in of the accompanying Schedule of Findings as item (A) to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Corning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Corning Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Van Maanen, Sietstra & Meyer, PC". The script is cursive and fluid.

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 11, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- A      Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters noted.

**Other Findings Related to Required Statutory Reporting**

1.      Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
2.      Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3.      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4.      Business Transactions - No business transactions were noted between the District and District officials or employees.
5.      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6.      Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
7.      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
8.      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9.      Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
10.     Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11.     Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Corning Community School District**  
**Schedule of Findings**  
**Year ended June 30, 2011**

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12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	123,661
Revenues/transfers in:			
Sales tax revenues	\$	282,857	
Other local revenues		1,159	
Sale of long-term debt		1,710,000	1,994,016
			<u>2,117,677</u>
Expenditures/transfers out			
Equipment		5,187	
Other		24,935	
Transfers to other funds:			
Debt service funds		219,145	249,267
			<u>249,267</u>
Ending balance		\$	<u>1,868,410</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
Debt service levy	\$	1.84348	282,857